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CHINA: REACTION TO EVANS AND NOVAK ARTICLE,
"MISSILES AND POLITICS"

Wednesday, October 12, 1988

(EO251)

Q. What is your comment to the Evans and Novak piece, "Missiles and Politics," which appeared in today's Washington Post?

A. I would like to clarify several points. First, it is inaccurate to refer to the "satellite sales to the No. 2 Communist power." Two of the satellites are being sold to AUSSAT, an Australian quasi-governmental telecommunications satellite company. The third is being sold to a private Hong Kong-based consortium, albeit with some participation of a Chinese company. The People's Republic of China role in the satellite deal is to launch the satellites. As such, the satellites will be on the ground in China only for a short time.

Second, the article summarizes Senator Helms' position as accusing Secretary Shultz as giving Beijing the access to "priceless technology." The Administration decision was to condition issuance of the related export licenses, among other things, on the successful negotiation of a technology transfer safeguards agreement. The purpose of the agreement is expressly to eliminate the transfer of any sensitive technology to the PRC. An interagency group agreed we could develop a satisfactory safeguard regime to protect our technology and, in fact, we will be discussing its terms next week in Beijing. Again, without a satisfactory US-PRC agreement, no export licenses will be issued and the satellite deals will not go through.

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Third, the article reports that Helms accuses Secretaries Carlucci and Shultz of giving Beijing the right to launch US-made satellites without a written agreement to end Chinese Arab-world missile sales. In this regard, we note that the satellite decision was made on its own merits. With respect to the missile question itself, Secretary Carlucci has said he had very good discussions with senior Chinese leaders on this question, that the Chinese described their arms sales policies and elaborated on them in some detail, that they stressed sales must be for self-defense and contribute to regional peace and stability, and that they emphasized that their policy remains a prudent and responsible one. Secretary Carlucci has said he was fully satisfied with his discussions and we share his assessment of them.

Finally, I would like to add that we see benefits from the approving the Chinese launch of these satellites and no disadvantages. First, it is worth about \$300 million in US exports and allows our satellite manufacturing industry to compete on an equal footing with the satellite manufacturers in other countries. At the same time--and as a condition of licensing--we will have a trade agreement with the Chinese to prevent serious market disruption, so we have not neglected the wellbeing of our expendable space launch industry. Quite the contrary, the Chinese will be in the space launch business with or without US-made satellites. These satellite deals have given us a unique opportunity to discuss Chinese launch practices which we would not otherwise have.